

# PressRelease

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## FOR IMMEDIATE RELEASE

### State allows sale of three private utilities' share in Centralia coal plant

**OLYMPIA, Wash.** - State regulators today approved the sale of the state's three private electric companies' interests in the Centralia power plant and said the utilities must reimburse ratepayers for their investment and share a portion of the profit from the sale.

The three-member Washington Utilities and Transportation Commission (WUTC) approved the sale of Avista Corp., Puget Sound Energy and PacifiCorp's shares in the Centralia coal plant to TransAlta Corp. of Calgary, Alberta in Canada.

Last May, TransAlta agreed to purchase the 1,340-megawatt, coal-fired Centralia Power Plant and the adjacent Centralia Mine for roughly \$550 million. It is the largest energy-producing plant in Western Washington and has been jointly owned by four private electric companies and four public utilities. Portland-based PacifiCorp also owns and operates the coal mine.

Avista, formerly known as Washington Water Power, owns 15 percent share in the coal plant. PacifiCorp has the largest interest with a 47.5 percent share and Puget Sound Energy possesses a 7 percent share. The remaining partners in the plant are Tacoma Power, Seattle City Light and Snohomish County Public Utility District each with 8 percent, Grays Harbor PUD with 4 percent interest and Portland General Electric (part of Enron) which owned a 2.5 percent share but recently it sold to Avista.

As investor-owned utilities regulated by the state, the three electric companies needed approval by the WUTC to complete the transaction. Washington, Oregon and Wyoming utility regulators have approved the sale, but three other state commissions have yet to make their decision. Avista and PacifiCorp are seeking permission from Idaho regulators. PacificCorp also needs permission from Utah and California



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regulators.

The city and PUDs do not need state approval but the transaction must be approved by local government officials. Federal regulators approved the sale by Jan. 13, 2000.

Under the commission decision, proceeds from the sale of the coal plant must be used to repay ratepayers and shareholders of the three private utilities for the amount they have invested. Since the plant sold for more than its original cost, the companies are also required to split this appreciation evenly between ratepayers and shareholders. The plant appreciation, after taxes, is calculated to be roughly \$2 million for PacifiCorp, \$4.6 million for Avista and \$4 million for Puget.

After taxes, Washington customers of PacifiCorp, who live in the Southcentral to Southeast portion of the state, will realize an estimated \$13.3 million benefit as their share of the proceeds. This customer share, along with the share of the proceeds granted to the company, will be factored into the WUTC's decision concerning the company's pending request to raise its electric rates 14.3 percent over two years. If that request is approved as proposed by the company, average residential rates would go up \$14.30 a month over the two-year period. The commission also directed PacifiCorp to take measures to ensure customers are not held responsible for any costs associated with the coal mine once its sale is completed to TransAlta.

Washington customers of Avista, a Spokane-based electric and gas utility, would realize a benefit estimated to be \$19.8 million as their share of the sale proceeds. Avista also has recently asked the commission for permission to raise its electricity rates by 10.4 percent, for an average residential rate increase of \$10.38 a month. The WUTC will factor the customer and company shares of the proceeds into its decision on the Avista's rate request.

Bellevue-based Puget Sound Energy customers would realize an estimated benefit from the coal plant sale of \$14.6 million. The WUTC is directing the company to keep an account of the customer portion of the sale proceeds, including paying interest at a rate of 7.1 percent annually until the utility comes in for a rate adjustment. Due to a previous merger agreement, PSE is currently operating under a rate

freeze until December 2001 and is required to file for new rates before June 30, 2002.

Commissioner Richard Hemstad dissented on a part of the commission's order which details the disbursement of the companies' share of the sale proceeds. While Hemstad agreed the companies' shareholders should be repaid their initial investment in the coal plant, he disagreed that shareholders should receive gain from the plant's appreciation in value. He stated instead that customers should receive all of this gain.

PacifiCorp, headquartered in Portland, Ore., serves more than 117,000 electric customers in five Southcentral to Southeastern Washington counties: Yakima, Walla Walla, Kittitas, Garfield and Columbia, including the cities of Yakima, Toppenish, Sunnyside, Walla Walla and Dayton.

Avista Corp. has about 206,000 electric customers in parts of nine Eastern Washington counties.

Puget Sound Energy, the state's largest electricity provider, has about 907,000 customers in eight Western Washington counties and Kittitas County in Eastern Washington.

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**Editor's note: An electronic version of the commission's decision is available on the Internet at the WUTC's website: [www.wutc.wa.gov](http://www.wutc.wa.gov).**